GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:7846
ANSWERED ON:17.05.2002
TRANSPARENCY IN STOCK EXCHANGE
ALE NARENDRA

Will the Minister of FINANCE be pleased to state:

(a) whether SEBI has directed presidents and vice presidentsof 11 regional bourses to step down from top management posts, as part of its efforts to impart transparency and prevent market manipulations; and

(b) if so, the details of the same?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

(a) and (b): The Hon`ble Finance Minister had announcedin the Parliament on 13.3.2001 that as a measure to improve institutional mechanisms and trading practices in the stock markets, corporatisation of stock exchanges by which ownership, management and trading membership would be segregated from each other, would be undertaken.

In accordance with the above policy announcement, the Securities and Exchange Board of India (SEBI) discussed theissue of demutualisation with the stock exchanges from time to time and SEBI Board, in its meeting dated 28.12.2001decided that no broker member of the stock exchanges shall be an office bearer of any exchange i.e., hold the position of President, Vice President, Treasurer etc. As this required amendments to the Rules, Articles etc. of the stock exchanges, SEBI issued a directive on January10, 2002 to stock exchanges under Section 8 of the Securities Contracts (Regulation) Act, 1956 toamend their rules within a period of two months from the date of the order.

The order was not applicable on three stock exchanges namely, NSE, OTCEI and Inter-Connected Stock Exchanges.Five stock exchanges namely, Magadh Stock Exchange, SaurashtraKutch Stock Exchange, Coimbatore Stock Exchange, DelhiStock Exchange and Ludhiana Stock Exchange made the necessary amendment in their Articles and Rules.

In case of 11 stock exchanges, namely Bangalore Stock Exchange, Cochin Stock Exchange, Pune StockExchange, Vadodara Stock Exchange, Gauhati Stock Exchange,Bhubaneshwar Stock Exchange, Madras Stock Exchange,Mangalore Stock Exchange, Ahmedabad Stock Exchange,Hyderabad Stock Exchange and Jaipur Stock Exchangewhich failed to amend their Articles or Rules to comply with the above referred SEBI Directive,the Articles or Rules of these exchanges were amended by SEBI through a notification.

Regarding, three stock exchanges namely, Calcutta StockExchange, Uttar Pradesh Stock Exchange and MadhyaPradesh Stock Exchange which have also not complied with SEBI`s above referred Directive, SEBI hasinitiated the process of amending their Articles or Rules through a notification.